

Message Text

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PAGE 01 NEW DE 13065 301634Z

42

ACTION NEA-16

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FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC 4207

INFO AMEMBASSY DACCA

AMEMBASSY ISLAMABAD

AMEMBASSY KATHMANDU

AMCONSUL BOMBAY

AMCONSUL CALCUTTA

AMCONSUL MADRAS

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PASS AGRICULTURE

E.O. 11652: N/A

TAGS: EAGR, IN

SUBJECT: INDIAN FOODGRAIN SITUATION

REF: NEW DELHI 12713

SUMMARY: THERE WAS SOME MINOR IMPROVEMENT IN THE MONSOON'S WEAK PERFORMANCE DURING THE WEEK ENDING SEPTEMBER 25. UNLESS THERE IS A SUBSTANTIAL INCREASE IN RAINFALL DURING THE LAST WEEK OF SEPTEMBER, OVERALL PRECIPITATION FROM THIS YEAR'S MONSOON WILL NOT SUBSTANTIALLY DIFFER FROM THE POOR 1972 MONSOON. PROCURE-
MENT PRICES FOR THIS YEAR'S RICE AND COARSE GRAIN CROPS ARE EXPECTED TO BE ANNOUNCED SOON. PRESSURE FROM THE STATE AUTHORITIES WILL PROBABLY FORCE THE CENTER TO SET PROCUREMENT PRICES AT A HIGHER LEVEL THAN THOSE RECOMMENDED BY THE AGRICULTURAL PRICES

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PAGE 02 NEW DE 13065 301634Z

COMMISSION. END SUMMARY.

1. THERE WAS SOME IMPROVEMENT IN MONSOON ACTIVITY DURING THE WEEK ENDING SEPTEMBER 25, AS COMPARED TO THE PREVIOUS TWO WEEKS. THE NUMBER OF WEATHER ZONES RECEIVING NORMAL OR ABOVE-NORMAL RAINFALL INCREASED FROM 10 TO 15 OUT OF A TOTAL OF 35. RAINFALL DURING THE WEEK ENDING SEPTEMBER 25 REMAINED GENERALLY VERY DEFICIENT IN THE NORTHERN REGION OF INDIA, EXCLUDING SOUTHERN BIHAR, NORTHERN PARTS OF WEST BENGAL, AND ARUNACHAL PRADESH, WHICH RECEIVED NORMAL OR ABOVE-NORMAL RAINFALL. FOR THE FIRST TIME THIS SEASON, WESTERN GUJARAT RECEIVED NORMAL OR ABOVE-NORMAL PRECIPITATION. THE REST OF CENTRAL INDIA, EXCEPT FOR PARTS OF MAHARASHTRA RECEIVED DEFICIENT OR SCANTY RAINFALL. SOUTHERN INDIA, EXCEPT FOR SOUTHEASTERN KARNATAKA, RECEIVED NORMAL OR EXCESSIVE RAINS.

2. THIS YEAR'S SOUTHWEST MONSOON (JUNE 1 - SEPTEMBER 30) REACHED ITS WEAKEST LEVEL THE LAST PART OF AUGUST TO THE FIRST PART OF SEPTEMBER, AND SO FAR HAS FAILED TO REGAIN ITS SOMEWHAT BETTER LEVEL OF PERFORMANCE DURING THE FIRST PART OF AUGUST. CONSEQUENTLY, UNLESS THINGS PICKED UP AFTER SEPTEMBER 25, IT APPEARS THAT, OVERALL, PRECIPITATION FROM THIS YEAR'S MONSOON MAY NOT BE SUBSTANTIALLY DIFFERENT FROM THE POOR 1972 MONSOON. THE NORTHERN PARTS OF INDIA ARE GENERALLY MORE DEFICIENT IN RAINFALL THAN IN 1972, EXCEPT FOR WEST BENGAL AND THE EXTREME NORTHEAST, WHICH IN MANY INSTANCES SUFFERED FROM HEAVY FLOODING DURING THE CURRENT SEASON. THE POSITION IN CENTRAL INDIA IS MIXED, WITH GUJARAT AND ORISSA BEING SIGNIFICANTLY MORE DEFICIENT IN RAINFALL THAN IN 1972. WHILE RAINFALL IN MAHARASHTRA AND MADHYA PRADESH IS ABOUT THE SAME OR SOMEWHAT BETTER THAN 1972. SOUTHERN INDIA

HAS, IN ALMOST ALL AREAS, RECEIVED MORE RAINFALL THAN IN 1972.

3. A MEMBER OF THE AGRICULTURAL ATTACHE'S OFFICE AND THE DIRECTOR OF WHEAT ASSOCIATES PLAN TO TRAVEL DURING THE NEXT TWO WEEKS TO THE NORTHERN STATES OF PUNJAB, HARYANA AND UTTAR PRADESH AS WELL AS CALCUTTA, IN WEST BENGAL AND BHUBANESWAR IN ORISSA IN ORDER TO GAIN A BETTER ASSESSMENT OF LIKELY FOODGRAIN PRODUCTION IN INDIA THIS YEAR.

4. THE CENTER IS EXPECTED TO ANNOUNCE SOON PROCUREMENT PRICES LIMITED OFFICIAL USE

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PAGE 03 NEW DE 13065 301634Z

FOR THE 1974-75 RICE AND COARSE GRAINS CROPS. MANY STATE AUTHORITIES ESPECIALLY IN SURPLUS AREAS, FEEL THERE SHOULD BE A SUBSTANTIAL INCREASE FROM LAST YEAR'S PROCUREMENT PRICES OF RS. 70 PER QUINTAL (APPROX. \$3.97 PER 100 LBS. AT RS.8 - \$1.00) FOR PADDY (UNMILLED RICE) AND RS. 70-72 PER QUINTAL (APPROX. \$3.97 - 4.08 PER 100 LBS.) FOR VARIOUS COARSE GRAINS. PUNJAB AND HARYANA ARE AMONG THE LEADING STATES DEMANDING SUBSTANTIAL INCREASED PROCUREMENT PRICES INCLUDING RS. 100 PER QUINTAL (AP-

PROX. \$5.67 PER 100 LBS.) FOR PADDY.

5. THE AGRICULTURAL PRICES COMMISSION (APC) HAS RECOMMENDED ONLY A MARGINAL INCREASE IN PADDY TO RS. 74 PER QUINTAL (APPROX. \$4.20 PER 100 LBS.) AND NO INCREASE IN COARSE LWAIN PROCUREMENT PRICES. ALTHOUGH STATING THAT THE RISE IN FOODGRAIN PRICES IS BASICALLY THE RESULT OF FOODGRAIN SHORTAGES, THE APC FEELS THAT THE APPROXIMATE 36 PERCENT INCREASE IN WHOLESALE FOODGRAIN PRICES DURING THE PAST YEAR WAS FOSTERED BY THE SUBSTANTIAL RISE IN GRAIN PROCUREMENT PRICES (20 - 48 PERCENT INCREASE DEPENDING ON THE GRAIN) AND THE SUBSEQUENT INCREASE IN THE GOVERNMENT ISSUE PRICES OF GRAIN. TO PREVENT FURTHER AGGRAVATION OF THE INFLATIONARY TREND, THE APC ARGUES FOR LITTLE OR NO INCREASE IN THIS YEAR'S RICE AND COARSE GRAIN PROCUREMENT PRICES. IT FEELS THAT GIVEN LAST YEAR'S SUBSTANTIAL INCREASES, LITTLE OR NO ADDITIONAL INCREASE IS NEEDED TO COVER THE SUBSEQUENT INCREASED COSTS WHILE STILL PROVIDING FARMERS WITH INCENTIVES TO IMPROVE PER BECTARE YIELD AND PRODUCTION OF CEREAL GRAINS. GIVEN THE PRESSURE FROM THE STATES, IT IS LIKELY THE CENTER WILL INCREASE THIS YEAR'S PROCUREMENT PRICE OF RICE AND COARSE GRAINS TO AROUND RS. 80 PER QUINTAL (APPROX. \$4.54 PER 100 LBS.) OR POSSIBLY MORE.

6. THE APC ALSO HIGHLIGHTS THE SHORTFALLS IN FOODGRAIN PRODUCTION AND THE NEED TO STRENGTHEN EFFORTS TO INCREASE OUTPUT. IT NOTES THAT 1968-69 (THE YEAR PRIOR TO THE BEGINNING OF THE FOURTH-FIVE-YEAR PLAN) AND 1973-74 (THE FINAL YEAR OF THE FOURTH-FIVE-YEAR PLAN) SAW AN INCREASE IN TOTAL FOOD PRODUCTION OF ROUGHLY 10 MILLION TONS OR SLIGHTLY LESS THAN 1/3 OF THE TARGETED INCREASE, EVEN THOUGH WEATHER CONDITIONS IN THESE TWO YEARS WERE SOMEWHAT SIMILAR. INQUIRING INTO REASONS FOR THE POOR PERFORMANCE, IT NOTES THAT MOST OF THE TARGETS ARE ESTIMATED TO HAVE BEEN MET FOR THE LEADING PROGRAMS THAT WERE TO RESULT IN THE TARGETED INCREASE IN FOODGRAIN PRODUCTION. ONE EXCEPTION WAS FERTILIZER LIMITED OFFICIAL USE

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PAGE 04 NEW DE 13065 301634Z

CONSUMPTION. AGAINST A TARGETED CONSUMPTION LEVEL OF 5.5 MILLION TONS (NUTRIENT BASIS) FOR 1973-74 ACTUAL CONSUMPTION IS ESTIMATED AT APPROXIMATELY 2.8 MILLION TONS. EVEN IN THE ABSENCE OF THE RECENT HIKE IN FERTILIZER PRICES AND ASSUMING NO CONSTRAINTS IN SUPPLIES, TH APC QUESTIONS WHETHER FERTILIZER CONSUMPTION WOULD HAVE BEEN MUCH MORE THAN 4 MILLION TONS IN 1973-74. GIVEN THE INCREASE IN COST OF THIS INPUT AND THE CONSTRAINT ON ITS SUPPLY, THE ACHIEVEMENT OF FUTURE SUBSTANTIAL PRODUCTION INCREASES WILL NOT BE EASY.

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